B1

In 1935, the children of this state were raped; their inheritance was stolen. It happened again in February 1994. If you don't care, don't have time, or find the issues of the Texaco settlement too complicated, don't read any further.

THE RAW DEAL

In late February 1994, Attorney General Richard Ieyoub announced that he had finally reached a settlement with Texaco on a lawsuit that began in 1987. The state alleged that Texaco had once again underpaid on royalties and owed the state at least $1 billion from the period of 1969-1984. Texaco has been developing oil and gas leases and paying Louisiana since 1936. The charges only covered a 15-year period because almost no records are available prior to 1969.

Within 10 days of announcing a settlement, the attorney general had all the appropriate paperwork prepared. The documents went to the Mineral Board for approval. The Mineral Board approved the agreement during the morning. The judge in the lawsuit signed off on the agreement that afternoon.

The ironic twist to the final agreement is that most legislators and officials had no advance information about the contents of the agreement and they were not given a briefing before the final agreement was accepted by the Attorney General and Mineral Board. But while the legislature was not briefed, the Attorney General did find time and plan far enough in advance to hire an out-of-state public relations firm, develop television commercials and spend $125,000 from his campaign fund to tell the people of Louisiana that he did a good job.

NO ONE WANTED TO LISTEN

Four weeks ago, this newspaper began telling people the Texaco settlement had problems. We told people that Louisiana had just created Win or Lose, Part II. Although we sent information and asked questions to many people and newspapers, only Rep. Robert Adley of Bossier seemed to understand what was happening or care.

While other people were focusing on how Stephen Edwards could get $130,000 while serving as legal council to a New Orleans casino, no one asked how much the Texaco settlement had cost or would continue to cost Louisiana.

The answer to that question is billions -- not millions of dollars -- but billions of dollars. While everyone was talking about riverboat deal s, the largest robbery that has ever occurred in the state of Louisiana was once again being validated.

So what makes the 1994 agreement between Louisiana, Texaco and Win or Lose look like a repeat of the Great Robbery of 1935?

First, it is important to remember that in 1935 the only person who could grant leases was the governor. Huey Long was governor then and arranged to give 1 million acres to W. T. Burton.

Burton then funneled all the leases into a company called Win or Lose. The major stockholders in that group other than Burton were Long, and governors O.K. Allen and James Noe. These people and their heirs got and still receive a 4.5 percent royalty payment after they farmed out the leases to Texaco. From Texaco, Louisiana got 75 cents per acre and the promise of a 1/8th royalty (12.5 percent while the standard is closer to 25 percent).

The 1935 agreement was a robbery.

Not only was it a bad financial deal but it was a deal that relied entirely on the honesty of Texaco to accurately report production and make royalty payment. Almost from the inception of the 1935 Great Robbery, some people in Louisiana challenged Texaco's honesty. Even members of Win or Lose challenged them. A 1969 internal memo by a Texaco employee acknowledged that Texaco had knowingly underpaid the state for years. In 1981, Texaco and Louisiana reached a new pricing agreement. An attorney for Texaco at the time was then-former governor Edwin Edwards.who had appointed every member of the 1981 mineral board. The attorney for the state was Billy Broadhurst, an Edward's friend and supporter who now has a huge financial interest in a Bossier casino and the New Orleans casino.

In 1987, Louisiana sues Texaco saying it has underpaid the state during the period of 1969 to 1984 by at least $1 billion. Interestingly enough, Edwin Edwards said Louisiana owed Texaco money. But once again, Louisiana had no independent figures to verify what Texaco had been doing. The $1 billion estimate was based upon Texaco numbers; not independent numbers. And, the $1 billion estimate did not include oil or such gas by-products as butane and propane.

During the 60 year history of Win or Lose, Louisiana has never placed Win or Lose or Texaco in default for failure to properly pay or develop the leases. Some of the land held in leases has been held for 60 years with no activity. Not once has the state demand that Texaco or Win or Lose develop the land within 90 days or return all leases to the state.

Was Louisiana afraid to offend Texaco? Or, were Louisiana politicians afraid of Win or Lose and afraid to question an agreement that was making many of them very rich?

Everyone knows the answer to that question.

THE GREAT ROBBERY

So what about the Great Robbery of 1994? What do we know? What do we question.?

1. On a $1 billion lawsuit, Louisiana got a principal settlement of $113 million and another $137 million in interest.

2. Lawmakers did not have an opportunity to review the settlement.

3. John Ales, head of the department of natural resources said Wednesday that his department was not involved in the cash settlement portion of the new contract. He told the Times-Picayune he did not think the state got enough money. He said the Mineral Board only rubber stamped the Attorney General's cash settlement. But, Ieyoub said in a release to the media in late February that members of the department of natural resources and the mineral board were involved in the negotiations. So who were these people?

4. The attorney general used an out-of-state arbitrator to help settle the lawsuit. The arbitrator said he thought about $220 million would be a good settlement. But, the arbitrator also admitted that he had no previous experience in the oil and gas field and especially the legalities of oil and gas leases. Moreover, the state got the arbitrator's name from a list of names compiled and approved of by Texaco.

The Fox is guarding the chicken

5. After Ieyoub approved the contract the agreement was unanimously approved by the mineral board. The mineral board is appointed by the governor. The mineral board approved

by Bob Barton March 11 PAGE 1 of 2

both parts of the settlement -- one part dealt with Texaco, another part dealt with Win or Lose. News releases sent out by the attorney general said very little about what Win or Lose was given as a part to the settlement and no one else seems to know or wants to know.

6. Win or Lose had the most to lose. When Texaco failed to properly pay or develop, Louisiana could have held them in default. That means Win or Lose also could have been held in default thereby losing all its overriding royalties in addition to having to pay millions of dollars in possible damaage awards as the original lessee in the state lease and as the prime defendant in possible lawsuits by the state.

That did not happen. Instead, Texaco must release up to 177,000 acres to Win or Lose. The Win or Lose company has first option to develop or farm out the leases and retain its 4.5 percent override on even more acreage.

7. The attorney for Win or Lose was Jack Martzell a New Orleans attorney who represented the governor's brother, Marion Edwards, in lawsuits alleging certificates of need for hospitals and nursing homes were sold to high bidders.

8. The chairman of the Mineral Board is Shreveport attorney John "Bucky" Schober. He is the attorney for members of the Long family. He serves as attorney for the Caddo Levy Board, an elected position that typically is given to friends of the governor.

9. The lawsuit between Texaco and Louisiana was handled by U. S. District Judge John V. Parker. He received his appointment from former U.S. Senator Russell Long. Parker worked at the mineral board after graduating from law school. During the lawsuit, Parker put a gag order on all parties thus refusing to allow them to discuss the case with media.

10. Win or Lose was never part of the lawsuit. But they were the big winners in the settlement.

11. Attorney General Richard Ieyoub is from the Lake Charles area. So are the heirs of W.T. Burton. Financial contributors to Ieyoub's campaign include such names as Burton, Lawton, and Long as well as many attorneys who are involved with members of Win or Lose, Texaco or businesses that benefit from the Texaco or Win or Lose interest.

THE QUESTIONS

All of this has made some people in Louisiana finally start asking some questions.

Here are some of the questions they have asked us.

1. Why was not the legislature briefed on the settlement and why was there only 10 days to approve the agreement?

2. Why did Win or Lose get anything in the settlement? Why didn't all acreage under question revert back to the state? Did Win or Lose members also get a cash settlement?

3. If the Attorney General has benefited from money given to him by Win or Lose members or by those with a business interest in Win Or Lose, should he have recused himself from any involvement with the settlement? The Attorney General is obviously concerned with perception. After all, he hired a PR firm to tell his story. And he recently fired two of his key assistants who worked in the gaming division because they wanted to take a job with various casinos. So why didn't the attorney general step aside? Why didn't the attorney general include Win or Lose in the lawsuit and make them pay part of the $250 million cash settlement?

4. Why didn't John Schober recuse himself from voting on the Win or Lose/Texaco settlement? Is their any truth to reports that Schober is a former stockholder in Win or Lose? Is his sister married to a current stockholder in Win or Lose? Are any of the additional mineral board members in any way connected to Win or Lose? Why would the mineral board have approval authority over such a huge settlement when historically that board has been controlled by the governor's of Louisiana who had interest in oil and gas and the oil and gas industry?

5. Why was Texaco allowed to keep its leases on some of the richest gas deposits in the Louisiana and not forced to increase its payments to the state from 12.5 percent to at least 20-25 percent?

6. The attorney who drafted the contract, Campbell Hutchison, a native of Shreveport but a partner in the New Orleans firm of Stone, Pigman says the 1994 agreement reaffirms the Win or Lose agreement of 1935 but calls the settlement "the best that we could do?"

Is this contract the best Louisiana could get legally or the best we could do politically given the money and power of those involved?

B2

7. By not getting an increase in royalty payments from Texaco, how much money is Louisiana losing each year? How much money will the new agreement with Win or Lose cost the state? Isn't it true that the entire state budget could be more than balanced with the money that now goes to Texaco and Win or Lose? Isn't it true that Louisiana has once again given up enough of its money and resources to provide every child in this state with a free college education?

These are but a few of the questions we keep hearing. But what can be done?

First, the agreement of February, 1994 is not "a done deal" especially as it pertains to the agreement with Win or Lose. Win or Lose had no legal basis in the settlement.

Bill Lynch

If the Inspector General and the legislature would go to work through such committees as natural resources and the ethics commission they might find just cause to overturn at least the Win or Lose portion of the agreement.

It is also possible that the constitution provides the legislature with enough oversight responsibility to overturn the entire 1994 decision. And it certainly is possible for the state to put so much pressure on Texaco to develop leases and make proper payments that they would be willing to pay a fair royalty to the state. After all, the state still owns the land and can force them to develop it immediately or lose it all.

Some legislators have discussed calling a special session to discuss gambling. Maybe they should call one to discuss the biggest financial robbery of this state in its history. If they did, they might just learn something about this contract that no one seems to know anything about. And maybe, they would discover that many of the players in the Great Robbery of 1994 are the same players who are forcing the casinos to make concessions and make payoffs.

Page 2 of 2
March 11